

STUDENT FEES, ACCESS, AND QUALITY

Prospects and Issues
for the 1992-93 Budget Process



CALIFORNIA
POSTSECONDARY
EDUCATION
COMMISSION

Summary

The Commission's Ad Hoc Committee on Student Fees, Financial Aid, and the State Budget was established in the spring of 1991 and has consisted of Commissioners Mimi Andelson, William T. Bagley, Henry Der, John F. Parkhurst, Ted J. Saenger, and Stephen P. Teale (chair). Members of the Committee met at the Commission offices on November 26, 1991, to discuss materials prepared by the staff regarding options for responding to the serious fiscal constraints facing the State and its institutions of higher education in 1992-93. Based on that meeting, the Committee brought this report for Commission consideration at its December 9 meeting.

The six policy principles listed on page 1 of the report, along with data presented on pages 3-22, led the Ad Hoc Committee to the five conclusions about elements requiring consideration during the fiscal crisis affecting the State's systems of higher education -- enrollment management strategies, student fees, financial aid, nonresident tuition, and residency requirements, and broader finance issues -- that are listed on page 2 and explained on pages 23-26.

The Commission adopted this report on recommendation of the Ad Hoc Committee in order to facilitate analysis of various budget and legislative proposals concerning fees.

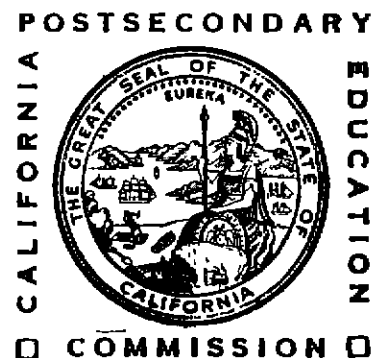
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Prospects and Issues
for the 1992-93 Budget Process

*A Report by the Commission's
Ad Hoc Committee on Student Fees,
Financial Aid, and the State Budget*

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1303 J Street . Fifth Floor . Sacramento, California 95814-2938





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1

Executive Summary

1. Policy principles

The Commission's Ad Hoc Committee on Student Fees, Financial Aid, and the State Budget met on Tuesday, November 26, to discuss issues relating to student fee levels, managing enrollments, and preserving the quality of California public higher education during a period of State fiscal constraint. The Committee adopted the following six principles to provide staff with direction in analyzing alternative policies that may be proposed over the course of the upcoming legislative and budget session to carry the State and California's higher education systems through 1992-93:

1. Interim policies for 1992-93 should attempt not to make significant departures from the State's current Master Plan policies;
2. In developing new long-range policies, all policy alternatives, including changes in the systems' missions and cost containment, should be analyzed and considered fully by the systems and by the Commission;
3. The interim policies should attempt to strike a balance across the entire educational system between preserving access and maintaining quality in California public higher education;
4. If the State's current fiscal crisis requires that access be limited for some students, all efforts should be made to insulate California resident students from such enrollment limitations;
5. The interim policies should be carefully examined in light of their effect on the State's goal of ensuring educational equity for all students; and
6. All California residents should be provided with access to some system of California higher education.

In light of these principles, the Committee directed staff to identify major issues for consideration by the Governor, the Legislature, and the systems, in dealing with the fiscal crisis facing the State and the systems, while simultaneously preserving the goals specified in the above principles.

2. Conclusions

At this time, the Ad Hoc Committee offers the following five conclusions for further consideration by those parties:

1. Current State fiscal pressures may force California's public higher education systems to limit student access. During this time of constrained State resources, and recognizing that the actions of one educational system can have significant effects on enrollment demand for the others, it is important that all the systems -- including California's independent colleges and universities -- in conjunction with the Commission, cooperatively develop an interim statewide enrollment management strategy. Particular attention should be paid to protecting the transfer function and ensuring that the enrollment decisions made by the four-year systems do not result in an unanticipated and unfunded diversion of enrollment to the community colleges.
2. Last year's budget shortfall forced the State to abrogate its long-term student fee policy, and continuing budget pressures this year will probably result in proposals for continuing last year's one-time surcharge, as well as proposals for further increases in resident student fees. Should the State find it necessary to consider further significant increases in resident student fees, it is essential that these proposals be examined in light of their likely effects not only on revenues but also on student access, equity, and choice.
3. It is essential that sufficient financial aid be provided to offset fee increases for all financially needy students. As indicated in this analysis, low-income students continue to be underrepresented in higher education and particular attention should be paid to the financial needs of middle-income students, whose access to higher education has been substantially reduced in the past decade.
4. As an alternative to large resident student fee increases and/or resident student access limitations, State policymakers should carefully consider the potential of making adjustments in non-resident tuition levels and, if permissible, State residency requirements. While the complete answer to higher education's funding problems will certainly not be found in these alternatives, they may hold promise for at least partially insulating California resident students from the effects of large fee increases or reductions in access.
5. California's higher education systems report that in the short-term only two options exist for coping with chronic funding shortages -- (1) limiting enrollment, or (2) absorbing additional unallocated budget cuts with the potential danger of eroding quality. However, as noted in the prospectus for the Commission's studies of higher education finance, a third alternative -- restructuring how the systems go about fulfilling their missions -- must be incorporated as one of the central options under consideration for accommodating a reduced resource base over the long-term.

2

The Situation

1. Background

California public higher education faces an unprecedented dilemma. Because of limited State funding, California's public colleges and universities are finding it increasingly difficult, if not impossible, to fulfill the goals of the State's Master Plan for Higher Education. In light of this situation, a series of questions now confront the State:

1. What should be the purpose and mission of California public higher education?
2. How should the State's public colleges and universities be structured in order for them to fulfill their identified purpose and mission while maintaining program quality?
3. How much will it cost for the public colleges and universities to provide the quality services called for by their missions?
4. And who should be paying the cost of providing those services?

Some would argue that the question of the purpose and mission of California public higher education was recently answered as part of the reexamination and reaffirmation of the State's Master Plan for Higher Education. However, the fiscal crisis now confronting the State, which will likely continue into the future, dictates that change must occur within higher education. While increases in student fees may be part of the short-term solution for dealing with the current revenue shortfall, they alone will not constitute the long-term solution necessary to ensure the future integrity of California public higher education. The missions, expenditures, and resources of California's public colleges and universities must all be reexamined if the State is to take a balanced approach for ensuring the future of its public higher education institutions.

The California Postsecondary Education Commission has agreed to reexamine the mission and financing of the State's higher education enterprise; it has identified the future financing of California public higher education as its top priority, and it has adopted a plan of work in this critical area. Through the Commission's planned activities, it will be reviewing the current missions, expenditures, and resources of California's public colleges and universities. While this document focuses principally on only one of those three areas -- resources -- and on only one source of revenue -- student fees -- future Commission activities will not be limited to this singular issue. The future of California public higher education depends upon a balanced approach that returns the missions, expenditures, and resources of California public higher education to a state of equilibrium.

2. Rationale for this report

In developing California's 1991-92 State Budget, the Governor and Legislature faced a budget deficit of historic proportions -- approximately \$14.3 billion. The Governor and Legislature hoped that the measures enacted as part of that budget would prevent future budget deficits, at least for the next several years. However, the State's continued recessionary economic situation unfortunately makes that hope now appear unlikely. Current projections estimate that next year's State budget deficit will be anywhere from \$3 billion to \$5 billion, and unlike last year the likelihood of the Legislature and Governor imposing new or additional taxes to offset that deficit is minimal. As a result of this fiscal situation, the issue of student fee levels at California's public colleges and universities will once again become a matter of debate during the 1992-93 State budget process.

In its budget deliberations last year, the Legislature directed the Commission and California's higher education systems to conduct a series of studies relating to the financing of California public higher education. Among the requested studies was a request for the Commission to analyze alternative student fee and financial aid policies for California's public higher education institutions and for it to make a recommendation about a new long-term student fee policy. Because income information necessary to fully analyze alternative fee policies will not be available from the Student Expense and Resource Survey (SEARS) of the California Student Aid Commission until Summer or Fall, CPEC will be unable to make a recommendation about a new long-term student fee policy until December 1992. However, because of the likelihood of another budget deficit this year, student fee levels will once again be a primary issue of debate and discussion.

While the Commission does not want to prejudge the outcome of its comprehensive finance study, the Commission staff must be prepared to offer the Governor and Legislature timely advice on student fee issues. As a result, the staff sought direction from the Commission on this issue. In response to that need, the Commission convened a meeting of its Ad Hoc Committee on Student Fees, Financial Aid, and the State Budget to discuss the issue of student fees as well as enrollments and quality in California higher education. To facilitate the Committee's discussion, Commission staff submitted a draft report for its review. The Committee met on Tuesday, November 26, to discuss the staff's draft and to make suggestions about these issues. This present report represents the product of the Ad Hoc Committee's meeting.

Part Three of this report provides information about (1) California's historic student fee policies, (2) the fee levels charged California students under those policies, (3) student charges at institutions in other states that are comparable to California's public colleges and universities, (4) an income profile of the students enrolled in California's public four-year colleges and universities, and (5) preliminary informa-

tion about the impact of last year's budget decisions on student access and program quality.

Based on this background material, Part Four offers a number of conclusions stemming from the information contained in the previous sections of the report which the Governor, Legislature, and systems may wish to consider in dealing with the State's continued fiscal crisis.

3

California's Current Policies and Their Impact

1. Principles underpinning California's historic low student fee policy

California has historically maintained a commitment to providing a "tuition-free" low-cost publicly supported system of higher education, with "tuition" being defined as any monies assessed to pay the direct cost of instruction. This low-fee philosophy provided what was believed to be one of the best vehicles available for providing access to higher education. It was also grounded in earlier political and economic paradigms which asserted that public investment in higher education provided such widespread social and economic benefits that it was worth public investment, regardless of the private or individual benefits that accrue to students through their college attendance. The recently completed Review of the Master Plan for California Higher Education reaffirmed the State's low-fee philosophy but noted that students in all three public segments should bear a portion of the total cost of their education.

California's historic "tuition-free" policy has a direct impact on how the State's higher education systems can use student fee revenues. The systems cannot expend any fee revenues for direct instructional expenses without violating the State's historic "tuition-free" policy. This means that fee revenue can be used only for activities *complementary to* instruction, but not *part of* it. For example, nearly all fee revenue at the University is currently used to support student service activities and financial aid. At the State University, it is assumed, that no fee revenue is expended on direct instructional activities. Thus, if the systems were to use student fee revenues for instructional purposes, it would violate the State's historic policy of providing a "tuition-free" higher education.

2. California's current fee policy for residents at its public four-year institutions

In 1985, California enacted Senate Bill 195 (Maddy) -- a long-term policy designed to regulate the adjustment of systemwide student fees at the University of California, the California State University, and the Hastings College of the Law. That policy stipulates that the State shall bear the primary responsibility for the cost of providing higher education but that students should be responsible for a portion of those costs. It calls for fee increases to be gradual, moderate, and predictable, not

exceeding 10 percent in any one-year period, and announced at least ten months in advance.

In terms of adjustments to the fee level, the policy calls for fee increases to be indexed to the three-year moving average of changes in State support per full-time-equivalent (FTE) student using either (1) all State support for the segment except lottery revenue, capital outlay, and financial aid, or (2) all State support for the segment except lottery revenue, capital outlay, financial aid, instruction, organized activities, research, public service, and teaching hospitals. It also states that should State revenues and expenditures become substantially imbalanced because of unforeseen circumstances, student fees may increase by a maximum of 10 percent in any academic year, despite the formula providing for a smaller increase.

In addition, the policy eliminated the fee differential between undergraduate and graduate students that was present at the University of California. The policy further stipulates that, consistent with the State's historic "tuition-free" principle, no resident fee revenue can be used for instructional purposes. Finally, the policy calls for the State to provide financially needy students with sufficient financial aid to offset any increase in student fees.

The provisions of SB 195 were extended with minor technical modifications through 1996 with the passage of Senate Bill 1645 (Dills) in 1990.

Unfortunately, the State's grim economic condition at the time of the 1991-92 State budget negotiations necessitated an increase in student fees in excess of 10 percent. Assembly Bill 2123 by Assemblymember Woodruff authorized the State University to increase student fees a total of 20 percent in 1991-92, with 10 percent being a one-time surcharge for only the 1991-92 academic year, while the constitutionally autonomous Regents of the University of California voted to increase student fees a total of 40 percent for the 1991-92 academic year in an effort to maintain program quality within its system. Display 1 on the opposite page shows the student fee levels at the University and State University since 1965-66.

3. California's current fee policy for residents at its public community colleges

In 1984, the Governor and Legislature passed Assembly Bill 1XX, which imposed a set systemwide enrollment fee of \$50 per semester for students enrolling in six or more semester units and \$5 per unit for those enrolled in less than six. In doing so, it also eliminated many of the campus-based charges that were imposed at that time including those for health and course additions. These provisions were extended through January 1, 1992, with the passage of Assembly Bill 2336 in 1987.

Senate Bill 381, authored by Senator Presley last year, extends the community college enrollment fee an additional three years through January 1, 1995. In addition,

**DISPLAY 1 Annual Student Fees at the University of California and
the California State University, 1965-66 Through 1991-92**

Year	University of California				The California State University			
	Systemwide UC Fees	Total Fees	Percent Change	Nonresident Tuition	Systemwide CSU Fees	Total Fees	Percent Change	Nonresident Tuition
1965-66	\$220	\$245	--	\$800	\$76	\$105	--	\$600
1966-67	219	246	0.4 %	981	76	105	0.0 %	600
1967-68	219	248	0.8	981	86	110	4.8	720
1968-69	300	331	33.5	1,200	108	133	20.9	780
1969-70	300	334	0.9	1,200	108	149	12.0	890
1970-71	450	487	45.8	1,200	118	161	8.1	1,100
1971-72	600	640	31.4	1,500	118	161	0.0	1,100
1972-73	600	644	0.6	1,500	118	161	0.0	1,100
1973-74	600	644	0.0	1,500	118	161	0.0	1,300
1974-75	600	646	0.3	1,500	144	194	20.5	1,300
1975-76	600	647	0.2	1,500	144	194	0.0	1,300
1976-77	600	648	0.2	1,905	144	195	0.5	1,440
1977-78	657	706	9.0	1,905	144	195	0.0	1,575
1978-79	671	720	2.0	1,905	146	212	8.7	1,710
1979-80	685	736	2.2	2,400	144	210	-0.9	1,800
1980-81	719	776	5.4	2,400	160	226	7.6	2,160
1981-82	938	997	28.5	2,880	252	319	41.2	2,835
1982-83	1,235	1,300	30.4	3,150	430	505	58.3	3,150
1983-84	1,315	1,387	6.7	3,360	612	692	37.0	3,240
1984-85	1,245	1,324	-4.5	3,564	573	658	-4.9	3,510
1985-86	1,245	1,326	0.2	3,816	573	666	1.2	3,780
1986-87	1,245	1,345	1.4	4,086	573	680	2.1	4,230
1987-88	1,374	1,492	10.9	4,290	630	754	10.9	4,410
1988-89	1,434	1,554	4.2	4,806	684	815	8.1	4,680
1989-90	1,476	1,634	5.1	5,799	708	839	2.9	5,670
1990-91	1,624	1,820	11.4	6,416	780	920	9.7	6,170
1991-92	2,274	2,486	36.6	7,699	936	1,088	18.3	7,404

Notes and Explanations

- 1) "Systemwide" fees here refers to the "Education" and "Registration" fees at UC and the "Student Services" and "State University" fees at CSU. Annual averages of these fees, as charged to full-time students, (those enrolled for 2 academic semesters or 3 academic quarters) are used here.
- 2) For both the UC and CSU the "Total" fees shown here include all mandatory systemwide and campus-based charges (health, student union and student body association, parking and dormitory facilities, etc.) paid by full-time students. "Non Resident Tuition" is paid by persons not considered to be citizens of California for tuition purposes, it is paid in addition to all other student charges.
- 3) In 1983 the first systemwide fee was established in the California Community Colleges. The fee was set at \$50 per semester for full-time student and is paid in addition to all campus-based fees. Over the years, some changes have been made in defining "full-time" versus "part-time" students, based on class load. The annual full-time enrollment fee was increased 20 percent -- it is now \$120 a year -- in the 1991 Budget Act.
- 4) Included in the 1990-91 budget was a provision for UC requiring that a special new yearly fee of \$376 be charged to law and medical school students. Information related to this special fee is not used in either Display 24 or Display 25.

Source: Adapted from Display 25 of *Fiscal Profiles, 1990* (Commission Report 90-24. Sacramento: California Postsecondary Education Commission, October 1990).

as a result of the \$14.3 billion 1991-92 budget deficit, that bill further directs the community colleges to charge a one-year surcharge of an additional \$1 per unit, up to a maximum of \$10 per semester, for students enrolled during the 1991-92 academic year. Thus, this year community college students are paying \$6 per unit, up to a maximum of \$60 per semester.

4. Nonresident students at the State's public colleges and universities

Nonresident tuition

In addition to paying all fees required of resident students, nonresident students are also required to pay nonresident tuition to cover a portion of instructional costs. The nonresident tuition levels paid by University and State University students are also shown in Display 1. All tuition revenue collected by the University and State University from nonresident students is considered to be an offset to the State's General Fund appropriation to the respective system.

At the close of the Legislature's 1988 session, it adopted Senate Concurrent Resolution 69 (Morgan) which expressed its desire to adopt a long-term fee policy relating to the adjustment of nonresident tuition. SCR 69 directed the Commission to convene an intersegmental committee composed of representatives from the systems, the Department of Finance, the Legislative Analyst's Office, and students to develop recommendations for a long-term nonresident student fee policy. In June 1989, the advisory committee issued its report, which recommended that as California's public colleges and universities adjust their nonresident tuition levels, they should consider, at a minimum, the following two factors: (1) the total nonresident charges imposed at their public comparison institutions, and (2) the full average cost of instruction in their system. The advisory committee's recommendations were enacted into statute in 1990 through Senate Bill 2116 (Morgan) and as a result the State does have a policy relating to the setting of nonresident tuition.

At the California State University, the systemwide fee and nonresident tuition charges paid by a nonresident student in 1991-92 amounted to \$8,340 -- approximately equal to the full average cost of instruction at the State University, excluding the costs of capital outlay. However, at the University of California in 1991-92, each nonresident student paid a total of \$9,973 in systemwide fees and nonresident tuition, while the full average cost of instruction at the University was approximately \$13,000, excluding capital outlay costs. This number results from Commission staff calculations using the methodology from the Commission's *Technical Background Papers to Higher Education at the Crossroads*, although the University notes that other methods yield different numbers. While the University of California has historically examined its public comparison institutions in setting its nonresident tuition level, that level may not completely reflect the cost of instruction in

potential need to limit access to some students, California residents should be given the highest priority for admission and enrollment in the State's public colleges and universities.

Residency requirements

Typically, in order to be classified a California resident for tuition purposes, a student must present evidence of physical presence in the State for more than one year and one day prior to enrollment along with an "intent" to make California their home. Intent can be demonstrated through a number of means including, but not limited to, the following:

1. Ownership of residential property or continuous occupancy of rented or leased property in California,
2. Registering to vote and voting in California,
3. Licensing by the State of California for professional practice,
4. Presence of spouse, children, or other close relatives in the State,
5. Showing California as the home address on federal income tax forms,
6. Payment of California State income tax as a resident,
7. Possessing California motor vehicle license plates,
8. Possessing a California driver's license,
9. Maintaining a permanent military address or home of record in California while in the armed services,
10. Establishing and maintaining an active California bank account, or
11. Being the petitioner for a divorce in California.

Thus, typically, if a student is from another U.S. state, after one year in California, if he or she has opened a bank account in California, obtained a California driver's license and car registration, rented an apartment or other residential living quarters in California, registered to vote in California, and filed California personal income tax forms as a resident, the student can be reclassified a California resident for tuition purposes.

As part of its work in responding to SCR 69, the intersegmental advisory committee examined the State's residency requirements to determine if they were in need of change. After surveying a number of other states, the advisory committee concluded that California's residency requirements were fairly comparable with those used in the surveyed states and as a result were not in need of revision.

However, given the State's current economic situation, that conclusion may need to be reevaluated. The State's current residency requirements essentially provide nonresident students who have lived in California more than one year and estab-

lished residency in the State with the same subsidy provided for California residents.

5. Other student fees

In addition to the systemwide fees covered by the above mentioned policies, the University and State University also assess a variety of mandatory campus-based fees. The State's existing fee policies apply only to systemwide fees, not campus-based fees.

Mandatory campus-based fees are assessed for a variety of purposes and activities. The University of California assesses these fees for recreational and student union facilities, health insurance, and student government associations. The State University assesses them for instructional related activities, health facilities, and student centers and associations.

Despite the fact that the State's existing long-term fee policy calls for no fee differential between undergraduate and graduate students, in 1990-91 the Governor and Legislature requested that the University of California assess its law and medical students an additional \$376 per year.

6. Relative importance of fee revenue

Systemwide resident student fee revenue has grown increasingly more important for both the University and the State University. In 1980-81, resident student fee revenues represented 8.3 percent of resident student fee and State General Fund revenues, while at the State University they represented only 4.9 percent of such revenues. By 1991-92, student fee revenues now represent about 14 percent of such revenues at the University and 15.4 percent at the State University. Display 3 on page 14 shows the total systemwide resident student fee revenue, State General Fund revenue, and the percentage that resident fee revenues represent of both total fee and General Fund revenues from 1980-81 through 1991-92.

7. The costs of college attendance

Historically, Californians have prided themselves on maintaining among the highest quality and lowest cost educational systems in the nation. While quality, by most measures, has been maintained over the years, the extent to which California higher education can be considered "low-cost" has been seriously eroded.

Display 4 on page 15 shows fee levels charged by the University of California, as well as other necessary living expenses, compared with 21 comparison institutions.

DISPLAY 3 *Percentage That Systemwide Resident Student Fee Revenue Represents of Total Resident Fee and State General Fund Revenues, 1980-81 Through 1991-92 (Dollar Figures in Thousands)*

University of California					The California State University				
Year	Systemwide Resident Student Fee Revenue	State General Funds, Excluding Resident Fee Revenue		Percentage That Student Fee Revenue Constitutes of Combined Funds	Systemwide Resident Student Fee Revenue	State General Funds, Excluding Resident Fee Revenue		Percentage That Student Fee Revenue Constitutes of Combined Funds	
		Combined Funds	Combined Funds			Combined Funds	Combined Funds		
1980-81	\$97,268	\$1,074,584	\$1,171,852	8.3%	\$48,916	\$952,052	\$1,000,968	4.9%	
1981-82	120,030	1,097,293	1,217,323	9.9	63,506	955,683	1,019,189	6.2	
1982-83	145,147	1,125,425	1,270,572	11.4	126,465	981,098	1,107,563	11.4	
1983-84	168,953	1,110,012	1,278,965	13.2	181,194	1,028,318	1,209,512	15.0	
1984-85	164,226	1,457,144	1,621,370	10.1	173,340	1,224,861	1,398,201	12.4	
1985-86	173,376	1,641,741	1,815,117	9.6	170,636	1,358,301	1,528,937	11.2	
1986-87	178,258	1,788,304	1,966,562	9.1	174,455	1,422,036	1,596,491	10.9	
1987-88	198,743	1,905,685	2,104,428	9.4	195,960	1,519,037	1,714,997	11.4	
1988-89	210,556	1,970,047	2,180,603	9.7	220,663	1,503,854	1,724,517	12.8	
1989-90	229,855	2,076,662	2,306,517	10.0	224,968	1,644,318	1,869,286	12.0	
1990-91 ^a	249,641	2,191,362	2,441,003	10.2	261,691	1,653,399	1,915,090	13.7	
1991-92 ^a	343,251	2,105,560	2,448,811	14.0	301,909	1,640,181	1,942,090	15.5	

a Only preliminary estimates -- based on the most accurate information available as of November 30, 1991 -- are displayed for fiscal years 1990-91 and 1991-92. These data will be updated in future fiscal years and thus should be viewed with caution.

Sources: Governor's Budgets and Budget Analyses, 1980-81 through 1991-92; Office of the President, University of California, and Office of the Chancellor, The California State University.

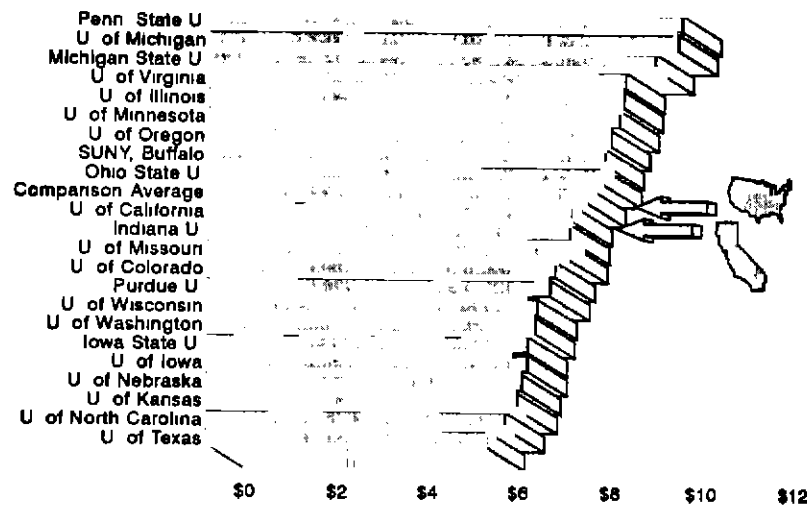
As this display shows, the University's fee levels are now just \$49 below the average for its comparison public institutions, while its students' living expenses are over \$2,000 higher than the average of its comparison institutions. When measuring the total cost of college attendance (tuition/fees and living expenses), the University of California is now one of only two institutions in the comparison group with total costs exceeding \$10,000 per year.

As Display 5 on page 16 shows, fee levels at the California State University are still well below the average of its comparison institutions. However, since State University students' living expenses are almost \$1,000 higher than the comparison average, the total expenses faced by students and their families at the State University now approach \$7,500 per year, just below the average for its public comparison institutions.

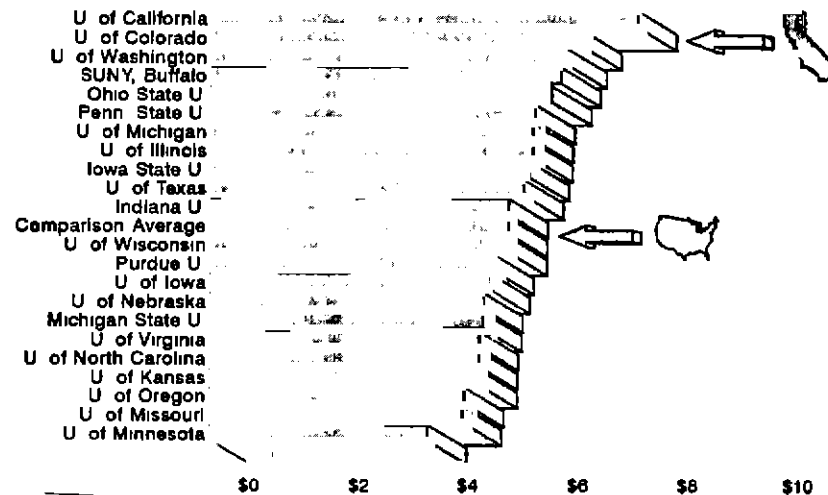
DISPLAY 4

Costs for Resident Undergraduates at the University of California and 21 Comparable Public Institutions, 1991-92

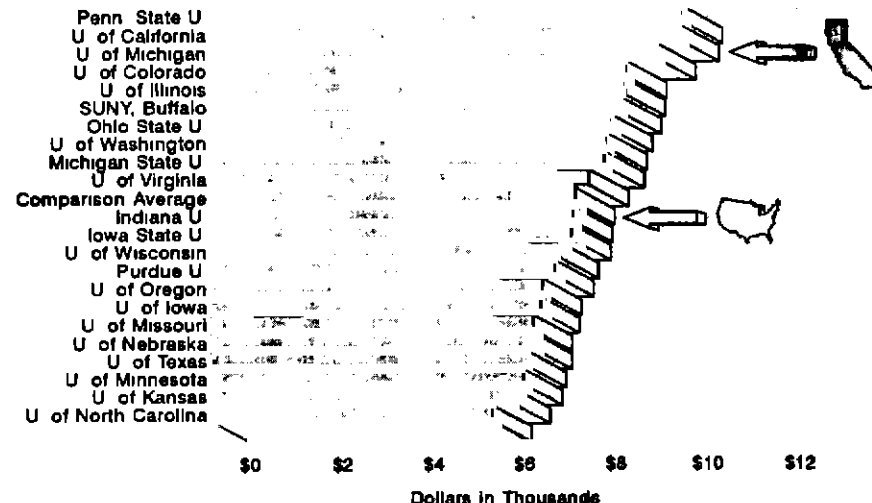
Tuition/Fees



Living Expenses



Total Costs



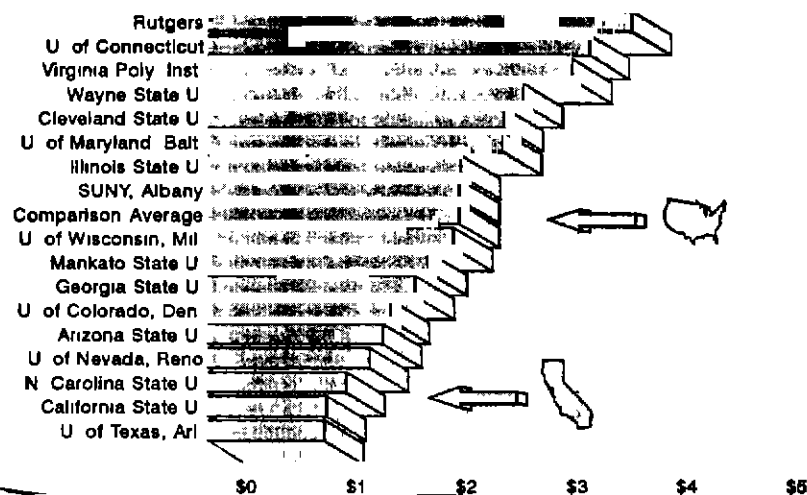
Dollars in Thousands

Source California Postsecondary Education Commission staff analysis of College Board data.

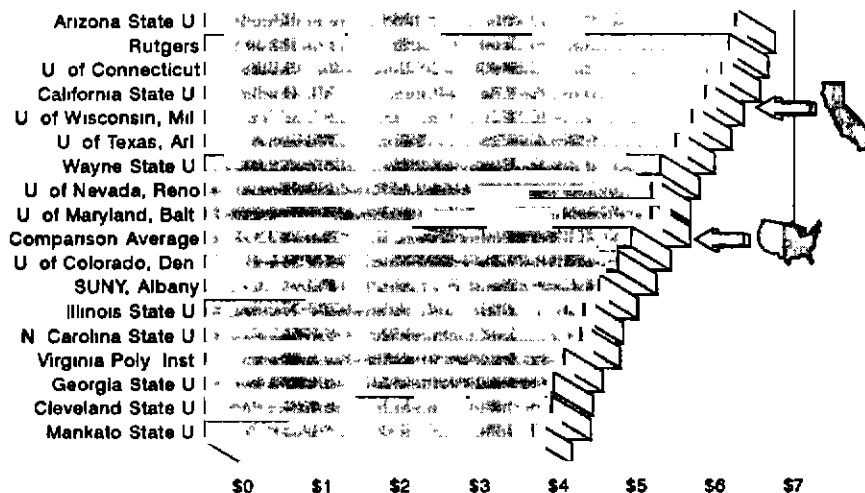
DISPLAY 5

Costs for Resident Undergraduates at the California State University and 16 Comparable Public Institutions, 1991-92

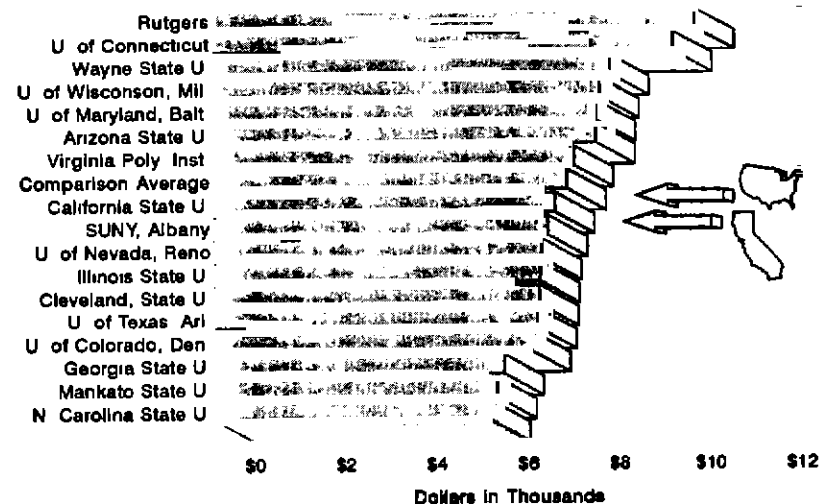
Tuition/Fees



Living Expenses



Total Costs



Source. California Postsecondary Education Commission staff analysis of College Board data.

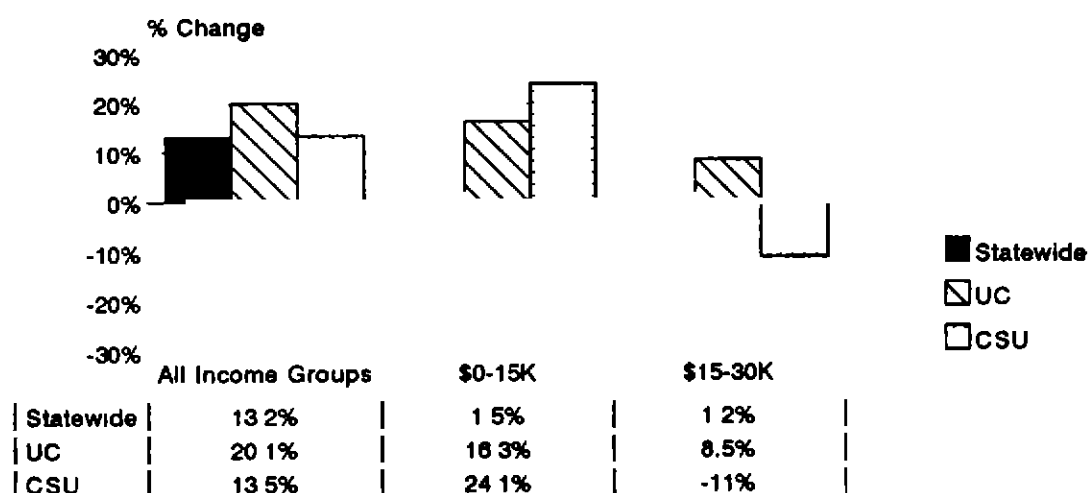
8. The changing income profile of California college students

California's student fee and financial aid policies have a major effect on the ability of students and their families to afford postsecondary instruction. As the Commission noted last year, the 1980s were characterized by dramatically increasing costs for attendance in higher education and a concomitant decline in available financial aid, especially grant-based aid. The results can best be viewed in terms of three major groups of students, based on their families' income -- low income (from \$0 to \$30,000), middle income (from \$30,000 to \$60,000), and high income (above \$60,000).

Low-income students

While low-income students continue to be underrepresented in California higher education, they have nevertheless fared relatively well in the past decade, as Display 6 below shows. Enrollment growth among low-income students has run ahead of the growth of low-income families in the State as a whole, with the exception of State University students with annual family income in the \$15,000-to-\$30,000 range. For example, while the number of families statewide in the lowest income group of under \$15,000 a year grew by only 1.5 percent between 1982 and 1988, the number of students from that income group at the University and the State Univer-

DISPLAY 6 *Percent Change in the Number of Financially Dependent California Students from Low-Income Families Compared to the Percent Change in the Number of Low-Income California Families Between 1982 and 1988, Statewide and by University*



Note "Low income" is defined as family income of between \$0 to \$30,000 per year

Source Student Expenses and Resource Survey (SEARS), California Student Aid Commission, 1982 and 1988, and State Department of Finance, Demographic Research Unit

sity grew by 16.3 percent and 24.1 percent, respectively. However, for all low-income students except the lowest-income State University students, growth in this group has run below enrollment growth for both university systems. Thus, while the enrollment of financially dependent undergraduates at the University of California grew by 20.1 percent between 1982 and 1988, growth in the two lowest income groups was only 16.3 percent and 8.5 percent. In the State University, the trends were more mixed. While the enrollment of dependent undergraduates grew by 13.5 percent overall, the enrollment of students in the \$15,000-to-\$30,000 income group actually declined by 11 percent. In contrast to the overall trend, State University students in the lowest income group outstripped growth for the system as a whole (24.1 percent compared to 13.5 percent).

Based on these data, Commission staff has concluded that the State's emphasis on need-based financial aid for the lowest income students has to some extent insulated this group from the effects of fee increases. Despite this finding, much more must be done if the proportion of low-income students is to begin approximating the proportion of low-income persons in the State as a whole.

Middle-income students

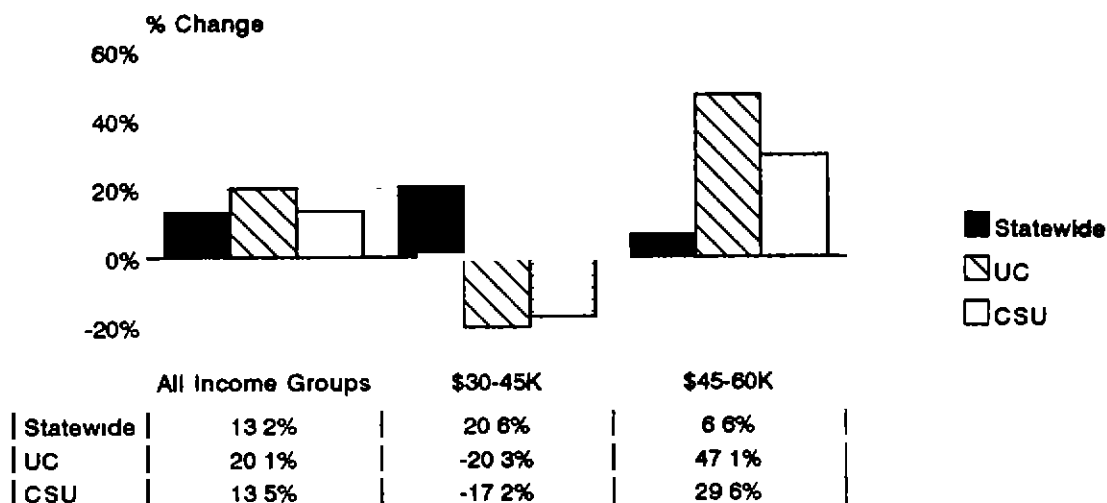
As the Commission reported last year, it appears that the group hit hardest in the last decade by fee increases and limited financial aid are students from families in the lower half of the middle-income group. As Display 7 on page 19 indicates, from 1982 to 1988, families in that half of the income group (from \$30,000 to \$45,000 per year) increased statewide by 20.6 percent, while students attending the University of California from that half actually declined by 20.3 percent. In addition, this dramatic decline in college-going among lower-middle-income students occurred during a time when overall enrollment levels at the University increased by over 20 percent. A similar pattern can be seen in the State University, where the enrollment of students in the lower-middle-income group declined by 17.2 percent, while overall State University enrollment rose by 13.5 percent.

This trend reversed completely among the upper-middle-income group (family income from \$45,000 to \$60,000 per year). Statewide, the number of families in this group rose by only 6.6 percent from 1982 to 1988, while the number of students from this group rose by 47.1 percent at the University of California and 29.6 percent at the State University.

High-income students

The pattern among upper-middle-income families is replicated in the highest income group of families earning over \$75,000 a year (Display 8 on page 20), where the number of families grew only 13.7 percent statewide, whereas the enrollment of students from this income group jumped by 64.2 percent at the University of California and 53.7 percent at the State University. (The number of California families earning between \$60,000 and \$75,000 is so substantially smaller than the highest

DISPLAY 7 *Percent Change in the Number of Financially Dependent California Students from Middle-Income Families Compared to the Percent Change in the Number of Middle-Income California Families Between 1982 and 1988, Statewide and by University*



Note "Middle income" is defined as family income of between \$30,000 to \$60,000 per year.

Source Student Expenses and Resource Survey (SEARS), California Student Aid Commission, 1982 and 1988, State Department of Finance, Demographic Research Unit

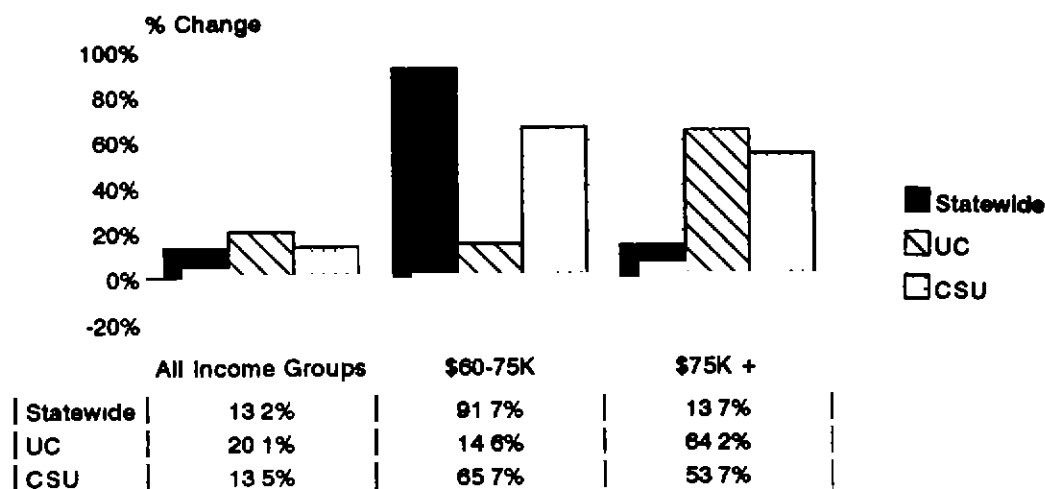
group earning over \$75,000, that the apparently anomalous results from this group are outweighed by the highest income group. In addition, the \$60,000-to-\$75,000 group may contain a number of families that changed from one income to two incomes between 1982 and 1988.)

In sum, staff analysis indicates that low-income students continue to be severely underrepresented in higher education, although, at least relative to lower-middle-income students, they have been largely shielded from fee increases in the past decade. Lower-middle-income students, on the other hand, have faced stagnant family income, dramatic increases in the cost of college attendance, and diminishing access to financial aid. Dramatic declines in the number of middle-income college students, even during a period of substantial overall enrollment growth, have been the result of this combination of factors. Conversely, students from upper-middle and upper-income groups have increased their college attendance at rates well above the statewide rate of growth for their income groups.

9. Impact of the 1991-92 budget on California public higher education

One of the questions being asked with increasing regularity is what impact the 1991-92 budget reductions and the student fee increases have had on student access

DISPLAY 8 *Percent Change in the Number of Financially Dependent California Students from High-Income Families Compared to the Percent Change in the Number of High-Income California Families Between 1982 and 1988, Statewide and by University*



Note: "High income" is defined as family income of \$60,000 and above per year

Source: Student Expenses and Resource Survey (SEARS), California Student Aid Commission, 1982 and 1988, and State Department of Finance, Demographic Research Unit

to and program quality in California's public colleges and universities. In enacting the 1991-92 State Budget, the Legislature requested that each of the higher education systems and the Student Aid Commission prepare a report that identifies the impact that the lack of funding has had on student access and program quality. The systems' preliminary reports are to be submitted to the Governor, Legislature, and Commission by December 15, 1991, with their final reports to be submitted by April 15, 1992. Upon the submission of those reports, the Commission will analyze and comment on them, thereby providing the State with better information about the impact that these budgetary actions have had on the State's higher education systems. However until that time, some preliminary information is available about the impact on postsecondary education students and programs resulting from the 1991-92 budget actions.

The State University indicates that as a result of its 3.3 percent reduction in General Fund support, it has canceled approximately 5,000 course sections that would have typically been offered. Those cancellations translate into students having less access to courses, potentially increasing their time to degree completion. In addition, these cancellations also increase the size of classes that continue to be offered, which may diminish the quality of the State University's educational program. The State University is also in the process of conducting a survey of all those students

who were expected to enroll this fall but did not to determine the reason or reasons why they decided not to enroll.

The Legislative Analyst's Office is currently in the process of visiting a number of the University and State University campuses to determine the impact that the 1991-92 budget decisions have had on those campuses. From their preliminary visits with University campuses and their conversations with the University's representatives, it appears that the 40 percent student fee increase and 1.1 percent reduction in General Fund support has had little impact on student access to that system this year and has not significantly diminished the quality of the University's educational programs. However, the 40 percent fee increase was not announced until many students had already made their enrollment decisions; and, as a result, the full impact of the 40 percent fee increase may not be known until students make their 1992-93 enrollment decisions.

10. Enrollment management strategies given constrained resources

With the specter of a continuing budget crisis in 1992-93, it is not unreasonable to expect that further fee increases and deeper budget cuts will be the norm for higher education in the upcoming budget process. The systems report that they have reached the point where they simply cannot continue to absorb unallocated budget reductions. Further, they note, if budget reductions continue then either enrollments must be limited or quality will decline. Both the University of California and the State University have indicated that they will limit enrollment before they will allow the basic quality of the institutions to be threatened. The issue of what constitutes quality and how per-student educational expenditures correspond to a quality educational institution will be a major topic of the systems' and the Commission's ongoing finance studies, but for the upcoming year at least, enrollment limitations and fee increases appear to be the primary options for dealing with continued budget limitations.

The community colleges are in a unique and somewhat precarious position as the State moves toward another year of budgetary crisis. The community colleges are the one California public higher education system that nearly every adult Californian is entitled to attend. While State statutes direct it to accept every individual capable of profiting from the instruction offered, the State limits the amount of funding provided to it to cover increases in student enrollment. Community college enrollments continue to increase as a result of population growth, the continuing economic downturn, high rates of immigration, and increased demand for job retraining, and only a portion of those increases are funded by the State. Should the State's public four-year institutions be forced to limit enrollments, many of the students qualified for admission in those institutions may be forced to attend a community college. Given the struggle already faced by the community colleges, such action

without additional fiscal resources would only further aggravate an already difficult situation.

Because of this possibility and the fact that actions of one educational system can have significant impacts on enrollment levels in the others, it is essential that all systems of California higher education -- including California's independent colleges and universities -- work together cooperatively to ensure that every California resident continues to have access to some system of California higher education. As such it would be advantageous for the State and its higher education systems to develop an interim statewide enrollment management plan to guide the State and its institutions through this period of constrained State resources.

Such a plan should attempt to ensure that the decisions of individual systems are informed by the plans of the others, and that enrollment shifts resulting from the limitations in individual systems are anticipated by the others. The overriding goal of such a plan should be to attempt to ensure that all eligible California residents have access to some system of California higher education and that limitations do not disproportionately effect groups historically underrepresented in higher education. Such a plan should also address what the cost would be to fund students at the State's community colleges who are redirected from four-year institutions as a result of enrollment limitations. Further, such a plan should outline the number of spaces to be made available in the four-year systems for transfer students from the community colleges and the process by which students redirected to the community colleges will be assured access to the four-year institutions upon completion of their lower-division requirements. Finally, should the State and its public institutions determine that all California residents cannot be provided with access to some system of public higher education, they should jointly determine which students have priority for enrollment in each system.

4 Major Issues Surrounding Student Fees and the State Budget

1. Enrollment management

The national literature and Commission analysis indicate that changes in student fee and tuition policies have significant effects on patterns of enrollment demand. This is predictable, since when prices rise in any market, people tend to look for less expensive alternatives. Prices for higher education in California rose substantially in 1991-92. In addition, all higher education systems were required to take substantial budget reductions. While definitive data are not yet available, anecdotal reports indicate that as a result of earlier application cutoffs, higher fees, faculty layoffs, and fewer class offerings, access to higher education was reduced in 1991-92. With the specter of a continuing budget crisis in 1992-93, it is not unreasonable to expect that further access reductions may be required in the coming year.

In light of these factors, the Commission concludes:

- 1. Current State fiscal pressures may force California's public higher education systems to limit student access. During this time of constrained State resources, and recognizing that the actions of one educational system can have significant effects on enrollment demand for the others, it is important that all the systems -- including California's independent colleges and universities -- in conjunction with the Commission, cooperatively develop an interim statewide enrollment management strategy. Particular attention should be paid to protecting the transfer function and ensuring that the enrollment decisions made by the four-year systems do not result in an unanticipated and unfunded diversion of enrollment to the community colleges.**

2. Student fees

As previously noted, last year the Legislature and Governor acted to increase resident student fees by 20 percent at all California public colleges and universities, with 10 percent of that increase going into the base fee level and the additional 10 percent being a one-time surcharge to be reconsidered during the 1992-93 State budget process. In addition, in separate action, the Regents of the University of California voted to increase resident student fees a total of 40 percent over the level assessed the prior year. While these surcharges were not consistent with the State's

existing student fee policy, the economic conditions facing the State at that time necessitated their imposition. Given that the State continues to experience an economic crisis this year, it is likely that there will be pressure to continue last year's surcharge, as well as to enact substantial additional fee increases.

As a result, and consistent with previous Commission findings in this area, the Commission concludes:

2. **Last year's budget shortfall forced the State to abrogate its long-term student fee policy, and continuing budget pressures this year will probably result in proposals for continuing last year's one-time surcharge, as well as proposals for further increases in resident student fees. Should the State find it necessary to consider further significant increases in resident student fees, it is essential that these proposals be examined in light of their likely effects not only on revenues but also on student access, equity, and choice.**

3. Financial aid

Commission analysis indicates that over the past decade, the combined policies of fee increases and more limited access to financial aid have had predictable results. Low-income students, who have the greatest access to need-based grant aid, have to some extent been insulated from the effects of fee increases. However, and despite their access to the grant aid that is available, low-income students continue to be underrepresented in higher education.

This analysis also indicates that students from middle-income families have been particularly hard hit by fee increases and limited financial aid. Between 1982 and 1988, the enrollment of students from families in the \$30,000-\$45,000 income group declined at UC and CSU by 20 and 17 percent, respectively. Conversely, students from upper-middle and upper-income groups have increased their college attendance at rates well above the statewide rate of growth for their income groups.

In light of these findings, and recognizing the likelihood of further student fee increases in 1992-93, the Commission concludes:

3. **It is essential that sufficient financial aid be provided to offset fee increases for all financially needy students. As indicated in this analysis, low-income students continue to be underrepresented in higher education and particular attention should be paid to the financial needs of middle income students, whose access to higher education has been substantially reduced in the past decade.**

4. Nonresident tuition and residency requirements

Nonresident tuition at the University of California is substantially below the Commission's estimate of the University's cost of providing educational and related services to nonresident students. In addition, after one year the vast majority of nonresident students achieve California resident status and thereafter pay only resident student fees, thus receiving the same level of State subsidy as all California residents. If the University of California's level of nonresident tuition should increase such that total nonresident charges approximate the Commission's estimate of the full average cost of instruction at the University, the University's level of nonresident charges would still fall below that charged nonresidents at the majority of private institutions with which the University competes for graduate students, as well as the nonresident charges at the University of Michigan.

As a result of this preliminary analysis, the Commission concludes:

- 4. As an alternative to large resident student fee increases and/or resident student access limitations, State policy makers should carefully consider the potential of making adjustments in nonresident tuition levels and, if permissible, State residency requirements. While the complete answer to higher education's funding problems will certainly not be found in these alternatives, they may hold promise for at least partially insulating California resident students from the effects of large fee increases or reductions in access.**

5. Broader finance issues

One of the crucial and fundamental questions that the State and its public higher education institutions will confront in 1992-93 is, "What actions should be taken by the State's public colleges and universities if revenues are insufficient to support historic levels of services?" To date, much of the discussion around this question has centered on two alternatives -- either reducing student access or reducing program quality. While these may be the primary alternatives available to California's higher education systems in the short-term, they are by no means the only alternatives for the long-term.

Given the State's current fiscal situation, all agree that California's public colleges and universities cannot adopt a status quo mentality about how they approach delivering educational services. As a result of Supplemental Report Language to the 1991-92 State budget, each of the higher education systems has been requested to examine alternatives to how educational services are currently delivered. This is a critical opportunity for the systems to consider and articulate their own plans in this area, because at this point should they fail to develop viable alternatives on

their own, it is likely that external forces will attempt to dictate alternatives to them.

The Commission therefore concludes:

5. **California's higher education systems report that in the short-term only two options exist for coping with chronic funding shortages -- (1) limiting enrollment, or (2) absorbing additional unallocated budget cuts with the potential danger of eroding quality. However, as noted in the prospectus for the Commission's studies of higher education finance, a third alternative -- restructuring how the systems go about fulfilling their missions -- must be incorporated as one of the central options under consideration for accommodating a reduced resource base over the long-term.**

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations to the Governor and Legislature

Members of the Commission

The Commission consists of 17 members. Nine represent the general public, with three each appointed for six-year terms by the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Six others represent the major segments of postsecondary education in California. Two student members are appointed by the Governor.

As of February 1995, the Commissioners representing the general public are

Henry Der, San Francisco, *Chair*
C. Thomas Dean, Long Beach
Elaine Alquist, Santa Clara
Mim Andelson, Los Angeles
Jeffrey I. Marston, San Diego
Guillermo Rodriguez, Jr., San Francisco,
Vice Chair

Melinda G. Wilson, Torrance
Linda J. Wong, Los Angeles
Ellen F. Wright, Saratoga

Representatives of the segments are

Roy T. Brophy, Fair Oaks, appointed by the Regents of the University of California.
Yvonne W. Larsen, San Diego, appointed by the California State Board of Education.
Alice Petrossian, Glendale, appointed by the Board of Governors of the California Community Colleges,
Ted J. Saenger, San Francisco, appointed by the Trustees of the California State University, and
Kyhl Smeby, Pasadena, appointed by the Governor to represent California's independent colleges and universities, and
vacant, representing the Council for Private Postsecondary and Vocational Education

The two student representatives are
Stephen Leshner, Meadow Vista
Beverly A. Sandeen, Costa Mesa

Functions of the Commission

The Commission is charged by the Legislature and Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory body to the Legislature and Governor, the Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any of them. Instead, it performs its specific duties of planning, evaluation, and coordination by cooperating with other State agencies and non-governmental groups that perform those other governing, administrative, and assessment functions.

Operation of the Commission

The Commission holds regular meetings throughout the year at which it debates and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school in California. By law, its meetings are open to the public. Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of its executive director, Warren Halsey Fox, Ph.D., who is appointed by the Commission.

Further information about the Commission and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 95814-2938, telephone (916) 445-7933 or Calnet 485-7933, FAX (916) 327-4417.

STUDENT FEES, ACCESS, AND QUALITY

Prospects and Issues for the 1992-93 Budget Process

California Postsecondary Education Commission Report 91-20

ONE of a series of reports published by the Commission as part of its planning and coordinating responsibilities. Additional copies may be obtained without charge from the Publications Office, California Postsecondary Education Commission, Third Floor, 1020 Twelfth Street, Sacramento, California 95814-3985

Recent reports of the Commission include

91-1 Library Space Standards at the California State University. A Report to the Legislature in Response to Supplemental Language to the 1990-91 State Budget (January 1991)

91-2 Progress on the Commission's Study of the California State University's Administration. A Report to the Governor and Legislature in Response to Supplemental Report Language of the 1990 Budget Act (January 1991)

91-3 Analysis of the 1991-92 Governor's Budget. A Staff Report to the California Postsecondary Education Commission (March 1991)

91-4 Composition of the Staff in California's Public Colleges and Universities from 1977 to 1989. The Sixth in the Commission's Series of Biennial Reports on Equal Employment Opportunity in California's Public Colleges and Universities (April 1991)

91-5 Status Report on Human Corps Activities, 1991. The Fourth in a Series of Five Annual Reports to the Legislature in Response to Assembly Bill 1829 (Chapter 1245, Statutes of 1987) (April 1991)

91-6 The State's Reliance on Non-Governmental Accreditation, Part Two. A Report to the Legislature in Response to Assembly Bill 1993 (Chapter 1324, Statutes of 1989) (April 1991)

91-7 State Policy on Technology for Distance Learning. Recommendations to the Legislature and the Governor in Response to Senate Bill 1202 (Chapter 1038, Statutes of 1989) (April 1991)

91-8 The Educational Equity Plan of the California Maritime Academy. A Report to the Legislature in Response to Language in the Supplemental Report of the 1990-91 Budget Act (April 1991)

91-9 The California Maritime Academy and the California State University. A Report to the Legislature and the Department of Finance in Response to Supplemental Report Language of the 1990 Budget Act (April 1991)

91-10 Faculty Salaries in California's Public Universities, 1991-92. A Report to the Legislature and Governor in Response to Senate Concurrent Resolution No. 51 (1965) (April 1991)

91-11 Updated Community College Transfer Student Statistics, Fall 1990 and Full-Year 1989-90. A Staff Report to the California Postsecondary Education Commission (April 1991)

91-12 Academic Program Evaluation in California, 1989-90. The Commission's Fifteenth Annual Report on Program Planning, Approval, and Review Activities (September 1991)

91-13 California's Capacity to Prepare Registered Nurses: A Preliminary Inquiry Prepared for the Legislature in Response to Assembly Bill 1055 (Chapter 924, Statutes of 1990) (September 1991)

91-14 Supplemental Report on Academic Salaries, 1990-91. A Report to the Governor and Legislature in Response to Senate Concurrent Resolution No. 51 (1965) and Supplemental Language to the 1979, 1981, and 1990 Budget Acts (September 1991)

91-15 Approval of Las Positas College in Livermore. A Report to the Governor and Legislature on the Development of Las Positas College -- Formerly the Livermore Education Center of Chabot College (September 1991)

91-16 Update on Long-Range Planning Activities. Report of the Executive Director, September 16, 1991 (September 1991)

91-17 The Role, Structure, and Operation of the Commission. A Preliminary Response to Senate Bill 2374 (October 1991)

91-18 1991-92 Plan of Work for the California Postsecondary Education Commission. Major Studies and Other Commission Activities (October 1991)

91-19 Reauthorization of the Higher Education Act of 1965 as Amended. A Report to California's Congressional Delegation Summarizing Consensus in California's Higher Education Community Regarding Proposed Revisions of the Act (December 1991)

91-20 Student Fees, Access, and Quality: Prospects and Issues for the 1992-93 Budget Process (December 1991)

91-21 Legislative and State Budget Priorities of the Commission, 1992. A Report of the California Postsecondary Education Commission (December 1991)

91-22 Proposed Construction of the Western Nevada County Center, Sierra Joint Community College District. A Report to the Governor and Legislature in Response to a Request for Capital Funds for a Permanent Off-Campus Center in the Grass Valley/Nevada City Area (December 1991)